NOW COMMUNICATIONS, INC.
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February 5, 2003 FILED VIA ECFS

Federal Communications Commission
Attn: Marlene H. Dortch, Secretary
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte – In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket No. 01-338

Dear Ms. Dortch:

Today, I met telephonically with Commissioner Jonathan Adelstein and Sarah Whitesell, Interim Advisor for Media Issues. The subject was the triennial review of the unbundling obligations of ILECs. Also present in person on NOW's behalf, as well as on the behalf of the National ALEC Association (NALA), were Charles W. McGuffee, Chief Financial Officer of NOW, and Carl Tuvin and James Kuhn of Tuvin & Associates, a DC-based lobbying and consulting organization. The meeting lasted approximately 20 minutes.

Synopsis of the meeting: Mr. McGuffee provided a brief history of NOW and the types of customers served by it and members of NALA. He explained how NOW and NALA members provide prepaid residential local exchange services to the customer base and differences between it and traditional residential customers.

I explained the importance of UNE-P and the distinctions between it and total service resale in serving this market. I further explained that there is no financial justification or ability for it (and other prepaid residential companies like NOW) to construct or install full facilities, plant, and equipment necessary to serve this small niche market of residential consumers. Further, that venture capital was not available to NOW and NALA members assuming switch deployment was financially justified given the relatively small numbers of applicable customers in each market. The only viable way to reach the credit-impaired residential customer is via the UNE-P. TSR, while still a compelling method of early stage market entry, does not allow prepaid dialtone carriers to accurately customize the features and plans needed to best serve the credit-impaired customer base.

We explained how removing an element such as switching could force NALA members to shop around with various facilities-based CLECs in order to continue serving its market. However, at this early stage, there is no viable wholesale switching market. NOW expressed its belief that if an element were removed, the ILECs would then seek to immediately increase the cost of that element, which would have to be compared to rates, if offered for that element, by other facilities-based CLECs. That would increase administrative and personnel burdens on small companies.

Lastly, NOW explained how it and NALA members are to be distinguished from traditional CLECs, who are merely look alike competitors to the ILEC competing for the same customer

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base. NOW and NALA members actually serve the customers left behind by ILECs and traditional CLECs, and enhance universal service.

Please feel free to contact me if any additional information is required.

Sincerely,

S/
R. Scott Seab